

REPORT
SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
JUNE 30, 2006 AND 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

October 20, 2006

Board of Trustees of the
Sheriffs' Pension and Relief Fund
State of Louisiana
1225 Nicholson Drive
Baton Rouge, Louisiana 70802

We have audited the statements of plan net assets of the Sheriffs' Pension and Relief Fund, State of Louisiana as of June 30, 2006 and 2005 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the management of the Sheriffs' Pension and Relief Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sheriffs' Pension and Relief Fund as of June 30, 2006 and 2005 and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the financial statements of the Fund for the years ending June 30, 2006 and 2005, and issued our unqualified opinions on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 28 – 31 and the supplemental schedules on pages 24 – 27 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2001 – 2006 and supplemental schedules for the years ending June 30, 2006 and 2005, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2006 on our consideration of Sheriffs' Pension and Relief Fund's internal control over financial reporting and on our tests of its compliance with laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Krapmann, Hogan & Maher, LLP

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

The Management's Discussion and Analysis of the Sheriffs' Pension and Relief Fund (Fund) financial performance presents a narrative overview and analysis of the Sheriffs' Pension and Relief Fund's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Sheriffs' Pension and Relief Fund's financial statements, which begin on page 7.

Financial, Operational and Investment Highlights

- **Funded ratio** – The ratio of Net Actuarial Value of Assets to GASB-25 accrued liability continued to improve, increasing from 91.99% for 2005 to 93.07% for the fiscal year ended June 30, 2006.
- The Sheriffs' Pension and Relief Fund's assets exceeded its liabilities at the close of fiscal year 2006 by \$1,288,100,175, which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by \$143,348,247 or 12.52%.
- Contributions to the plan by members and employers totaled \$92,299,030, an increase of \$6,795,638 or 7.95% over the prior year.
- Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$12,217,914, an increase of \$678,263 or 5.88% over the prior year.
- The return on assets for 2006 was 8.48% compared to 8.06% for 2005.
- Increases in the Fund's real estate core strategies, alternative investments and international equities continued during this fiscal year with the goal of enhancing performance, and providing increased diversification and risk control in the management of the investment portfolio. These changes, along with continued favorable conditions in world equity markets have resulted in improved investment returns.
- Net change in the fair value of investments reflected a net gain of \$80,278,655, resulting from realized gains of \$26,823,688 and unrealized gains totaling \$53,454,967. The current year gain exceeded the prior year gain by \$16,765,600.
- Investment income net of expense from all sources was \$98,921,438 representing an increase of \$15,110,742 or 18.03% compared to the prior year.
- Pension benefits paid to retirees and beneficiaries increased by \$570,689 bringing total benefit payments to \$53,976,520. Refunds of contributions paid to former members upon termination of employment increased from \$4,794,567 to \$17,604,440.
- Administrative expenses totaled \$1,372,029, a decrease of \$5,350 or 0.40%.

Using This Financial Report

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- Statement of plan net assets,
- Statement of changes in plan net assets, and
- Notes to the financial statements.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

Using This Financial Report (Continued)

This report also contains required supplemental information in addition to the basic financial statements themselves.

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the plan's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The Statements of Plan Net Assets and Statements of Changes in Plan Net Assets (on pages 7 and 8) provide information about the activities of the pension funds as a whole. Sheriffs' Pension and Relief Fund is the fiduciary of funds held in trust for sheriffs, deputies, non-commissioned employees of sheriffs' offices throughout the State of Louisiana and employees of the Louisiana Sheriffs' Association, the Sheriffs' Pension Fund office and a limited number of employees of the Attorney General's Office.

The Schedule of Funding Progress (on page 29) includes historical trend information about the actuarially funded status of the Fund from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions (on page 28) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to the required contributions. These schedules provide information that contributes to understanding the changes over time in the funded status of the plan.

Financial Analysis of the Fund

Sheriffs' Pension and Relief Fund's plan net assets increased during the year ended June 30, 2006 by \$143,348,247 from \$1,144,751,928 to \$1,288,100,175. Plan net assets for the prior fiscal year had increased by \$127,029,636. The increase when compared to the prior fiscal year increase is attributable to more favorable market conditions than the prior fiscal year. This analysis focuses on plan net assets (Table 1) and changes in plan net assets (Table 2) of the Fund.

TABLE 1
PLAN NET ASSETS
(In Thousands)

	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 1,398,428	\$ 1,245,274
Receivables	21,205	39,850
Capital assets	<u>2,958</u>	<u>2,952</u>
Total assets	1,422,591	1,288,076
Total liabilities	<u>134,491</u>	<u>143,324</u>
Plan net assets	<u>\$ 1,288,100</u>	<u>\$ 1,144,752</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

Financial Analysis of the Fund (Continued)

TABLE 2
CHANGES IN PLAN NET ASSETS
(In Thousands)

	<u>2006</u>	<u>2005</u>
Additions:		
Contributions	\$ 115,305	\$ 107,357
Net investment income	98,921	83,811
Other	<u>3,367</u>	<u>4,377</u>
Total additions	<u>217,593</u>	<u>195,545</u>
Deductions:		
Benefits	53,976	53,406
Refunds and transfers	18,800	13,663
Administrative expenses and depreciation	<u>1,469</u>	<u>1,447</u>
Total deductions	<u>74,245</u>	<u>68,516</u>
Increase in plan net assets	<u>\$ 143,348</u>	<u>\$ 127,029</u>

Plan net assets increased by 12.52% (\$1,288,100,175 compared to \$1,144,751,928). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the Fund as employees and their beneficiaries.

Additions to Plan Net Assets

Additions to Sheriffs' Pension and Relief Fund plan net assets were derived from member and employer contributions. Member contributions increased \$1,306,769 or 3.02% while employer contributions increased \$5,488,869 or 12.97%. The increase in contributions is primarily due to prior legislation enacted which had increased the contributions for plan members to 10% and employer contributions from 9.75% to 10.75% of annual covered payroll. The System experienced a net investment gain of \$98,921,438 as compared to a net investment gain of \$83,810,696 in the prior year. The increase in investment income was mainly due to a continued upturn in world equity markets.

	<u>2006</u>	<u>2005</u>	<u>Percentage Increase (Decrease)</u>
Member Contributions	\$ 44,505,946	\$ 43,199,177	3%
Employer Contributions	47,793,084	42,304,215	13%
Insurance Premium Taxes	12,217,914	11,539,651	6%
Ad Valorem Taxes	10,373,460	9,899,886	5%
State Revenue Sharing	414,310	414,093	0%
Net Investment Income	98,921,438	83,810,696	18%
Other Additions	<u>3,367,846</u>	<u>4,377,565</u>	(23%)
Total	<u>\$ 217,593,998</u>	<u>\$ 195,545,283</u>	

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death, survivor benefits, refunds and transfers of contributions to other retirement plans and administrative expenses. Deductions from plan net assets totaled \$74,245,751 in fiscal year 2006. This is an increase of \$5,730,104 when compared to 2005. Retirement benefit payments increased \$570,689, and refunds of contributions increased by \$4,794,567.

	<u>2006</u>	<u>2005</u>	<u>Percentage Increase (Decrease)</u>
Retirement Benefits	\$ 53,976,520	\$ 53,405,831	1%
Refunds of Contributions	17,604,440	12,809,873	37%
Administrative Expenses and Depreciation	1,468,578	1,446,722	2%
Transfers to other systems	<u>1,196,213</u>	<u>853,221</u>	40%
Total	<u>\$ 74,245,751</u>	<u>\$ 68,515,647</u>	

Investments

Sheriffs' Pension and Relief Fund is responsible for the prudent management of funds held in trust for the exclusive benefits of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2006 amount to \$1,392,015,731 as compared to \$1,244,000,781 at June 30, 2005, which is an increase of \$148,014,950 or 12%. The most significant increase is in stocks. Sheriffs' Pension and Relief Fund's investments in various markets at the end of the 2006 and 2005 fiscal years are indicated in the following table:

	<u>2006</u>	<u>2005</u>	<u>Percentage Increase (Decrease)</u>
Cash Equivalents	\$ 49,070,627	\$ 66,525,325	(26%)
Collateral Held Under Securities Lending	89,250,013	73,194,388	22%
Bonds	351,264,559	342,056,465	3%
Stocks	<u>902,430,532</u>	<u>762,224,603</u>	18%
Total	<u>\$ 1,392,015,731</u>	<u>\$ 1,244,000,781</u>	

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Osey McGee, Jr., Sheriffs' Pension and Relief Fund, 1225 Nicholson Drive, Baton Rouge, Louisiana 70802, (225) 219-0500.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash	\$ 6,411,293	\$ 1,273,167
Receivables and prepaid expense:		
Member contributions	2,707,845	2,803,682
Employer contributions	2,911,682	2,732,927
Accrued interest and dividends	3,450,934	2,982,986
Sold investments receivable	11,682,012	31,210,208
Other receivables and prepaids	452,828	120,124
Total	<u>21,205,301</u>	<u>39,849,927</u>
Investments (at fair value): (Notes 1, 6, 7 and 8) (Page 25)		
Cash equivalents	49,070,627	66,525,325
Collateral held under Securities Lending Program	89,250,013	73,194,388
Bonds	351,264,559	342,056,465
Stocks	902,430,532	762,224,603
Total	<u>1,392,015,731</u>	<u>1,244,000,781</u>
Land, property, plant and equipment: (Notes 1 and 13)		
Building	2,582,132	2,582,132
Land and improvements	92,692	92,692
Furnishings, equipment and vehicles	768,853	666,159
	<u>3,443,677</u>	<u>3,340,983</u>
Less: Accumulated depreciation	485,341	388,791
Total	<u>2,958,336</u>	<u>2,952,192</u>
Total assets	<u>1,422,590,661</u>	<u>1,288,076,067</u>
LIABILITIES:		
Obligations under Securities Lending Program (Notes 6 and 7)	89,250,013	73,194,388
Investments purchased payable	41,176,291	67,366,680
Refunds payable	2,458,498	1,313,790
Other payables	11,170	282,489
Accounts payable	1,417,747	1,066,651
Pension payable	82,314	11,365
Insurance payable	6,569	7,646
Accrued leave payable	87,884	81,130
Total liabilities	<u>134,490,486</u>	<u>143,324,139</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u>1,288,100,175</u>	\$ <u>1,144,751,928</u>

(A schedule of funding progress for the plan is presented on Page 29)

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ADDITIONS:		
Contributions:		
Members	\$ 44,505,946	\$ 43,199,177
Employers	47,793,084	42,304,215
Insurance premium tax	12,217,914	11,539,651
Ad valorem taxes	10,373,460	9,899,886
State revenue sharing	414,310	414,093
Total contributions	<u>115,304,714</u>	<u>107,357,022</u>
Investment income: (Note 1)		
Interest income	18,833,210	19,899,606
Dividend income	4,065,812	4,055,347
Net change in fair value of investments	80,278,655	63,513,055
Commission recapture	17,958	29,156
Miscellaneous	15,983	30
	<u>103,211,618</u>	<u>87,497,194</u>
Less investment expense:		
Investment advisory fee	4,108,908	3,517,914
Custodian fee and bank charges	181,272	168,584
	<u>4,290,180</u>	<u>3,686,498</u>
Net investment income	<u>98,921,438</u>	<u>83,810,696</u>
Other additions:		
Transfers from other retirement systems	3,367,621	4,377,319
Processing fees	225	246
Total other additions	<u>3,367,846</u>	<u>4,377,565</u>
Total additions	<u>217,593,998</u>	<u>195,545,283</u>
DEDUCTIONS:		
Benefits	53,976,520	53,405,831
Refund of contributions	17,604,440	12,809,873
Transfers to other state retirement systems	1,196,213	853,221
Administrative expenses (Page 26)	1,372,029	1,377,379
Depreciation (Note 13)	96,549	69,343
Total deductions	<u>74,245,751</u>	<u>68,515,647</u>
NET INCREASE	143,348,247	127,029,636
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	<u>1,144,751,928</u>	<u>1,017,722,292</u>
END OF YEAR	<u>\$ 1,288,100,175</u>	<u>\$ 1,144,751,928</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

The Sheriffs' Pension and Relief Fund (Fund) is a public corporation created in accordance with the provisions of Louisiana Revised Statute 11:2171 to provide retirement, disability and survivor benefits to employees of sheriffs' offices throughout the State of Louisiana. Employees of the Louisiana Sheriffs' Association (LSA), the Sheriffs' Pension Fund office and a limited number of employees of the Attorney General's office are also members of the Fund.

The Fund is governed by a Board of Trustees composed of 14 elected members and two ex-officio members, all of whom are voting members consisting of a president, secretary-treasurer, three active, participating sheriffs, and three full-time participating deputy sheriffs, three retired sheriffs and three retired deputy sheriffs participating in the fund, and the chairman of the Senate Finance and House Retirement Committee serve as ex-officio members. The President may be either an active or retired sheriff, elected by the members of the LSA for a term of two years from the date of taking office. Reelection is permissible. At the annual sheriffs' conference, the general membership of the LSA elects one active sheriff and one retired sheriff to serve three-year staggered terms on the Board. Active and retired deputy sheriff members are elected from their respective ranks to three-year staggered terms. The members of the LSA elect the Secretary-Treasurer annually. Office personnel and retained professionals serve as authorized by the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA). During the prior year, Governmental Accounting Standards Board 40 (GASB 40) was implemented. The statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The required disclosures are included in Note 6 to the financial statements. In addition, these financial statements include the management's discussion and analysis as supplementary information, as required by of GASB Statement Number 34, *Basic Financial Statement- and Management's Discussion and Analysis- for State and Local Governments* and related standards.

Basis of Accounting:

The Fund's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest and dividend income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature. Insurance premium tax income is recorded in the fiscal year for which it is allocated.

The Plan reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property, Plant and Equipment:

Property, plant and equipment are accounted for and capitalized in the Pension Fund. Depreciation of fixed assets is recorded as an expense in the Pension Fund. All fixed assets are valued on the basis of historical cost and depreciated using the straight-line method of depreciation.

2. PLAN DESCRIPTION:

The Sheriffs' Pension and Relief Fund, State of Louisiana, is the administrator of a cost-sharing multiple-employer plan. The Sheriffs' Pension and Relief Fund received a favorable determination from the IRS regarding its status as a qualified plan in August 1995. The determination applied to plan years beginning after December 31, 1988.

The Sheriffs' Pension and Relief Fund, State of Louisiana, provides retirement benefits for employees of sheriffs' offices throughout the State of Louisiana. There are sixty-five contributing sheriff offices, with employees of the Louisiana Sheriffs' Association office, Attorney General's office and the Sheriffs' Pension Fund staff also contributing. At June 30, 2006 and 2005 statewide retirement membership consists of:

	<u>2006</u>	<u>2005</u>
Current retirees and beneficiaries	2,859	2,693
Members, terminated with deferred vested benefits	329	279
Members, terminated, nonvested with contributions remaining on deposit with the fund	3,722	3,152
Fully vested, partially and nonvested active employees covered	<u>12,835</u>	<u>13,863</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>19,745</u>	<u>19,987</u>

Laws that govern the Fund are located in the Louisiana Revised Statutes beginning with 11:2171 et seq. which deals specifically with the Sheriffs' Pension Fund, and 11:11 et seq. which governs all public retirement systems in Louisiana.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

Membership in the Fund is required for all eligible sheriffs and full time deputies. Court criers of specified courts and non-deputized employees may become members. They are eligible immediately upon employment as long as they meet statutory criteria as to age and physical condition. All salaried employees of the Sheriffs' Pension and Relief Fund, the Louisiana Sheriffs' Association and a limited number of employees of the Attorney General's office who meet certain requirements are also eligible to become members of the Fund. Members are vested after twelve years of service time.

Retirement Benefits:

Members with twelve years of creditable service may retire at age fifty-five. Members with thirty years of service may retire regardless of age. The retirement allowance is equal to three and one-third percent of the member's average final compensation multiplied by his years of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Members with twenty or more years of service may retire with a reduced retirement at age fifty.

Cost of Living Increases:

When certain criteria is met relating to funding status and interest earnings, the Fund is authorized under state law to grant a cost of living increase to members who have been retired for at least one full calendar year. The increase cannot be less than 2% or more than 3% of the retiree's current benefit, subject to a minimum of \$20 per month. State law allows the Fund to grant an additional cost of living increase to all retirees and beneficiaries over age sixty-five equal to 2% of the benefit received on October 1, 1977, or the original benefit, if retirement commenced after that date. In lieu of cost of living adjustments, the board may grant increases in amounts up to \$1 per month times the sum of years of credited service accrued at retirement or death and number of years since retirement or death.

No cost of living adjustments have been made during the current and prior years. A legislative change provides that in the event a cost of living adjustment is not payable based on the June 30, 2006 valuation, a lump-sum benefit supplement may be approved in an amount not to exceed 3% of the normal annual benefit and not less than \$300.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

2. PLAN DESCRIPTION: (Continued)

Deferred Benefits:

The Fund does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable.

Disability Benefits:

A member is eligible to receive disability benefits if he has at least ten years of creditable service when a non-service related disability is incurred; there are no service requirements for a service related disability. Disability benefits shall be the lesser of 1) a sum equal to the greatest of 45% of final average compensation or the members' accrued retirement benefit at the time of termination of employment due to disability, or 2) the retirement benefit which would be payable assuming continued service to the earliest normal retirement age. Members who become partially disabled receive 75% of the amount payable for total disability.

Survivor Benefits:

Survivor benefits for death solely as a result of injuries received in the line of duty are based on the following. For a spouse alone, a sum equal to 50% of the member's final average compensation with a minimum of \$150 per month. If a spouse is entitled to benefits and has a child or children under eighteen years of age (or over said age if physically or mentally incapacitated and dependent upon the member at the time of his death), an additional sum of 15% of the member's final average compensation is paid to each child with total benefits paid to spouse and children not to exceed 100%. If a member dies with no surviving spouse, surviving children under age eighteen will receive monthly benefits of 15% of the member's final average compensation up to a maximum of 60% of final average compensation if there are more than four children. If a member is eligible for normal retirement at the time of death, the surviving spouse receives an automatic option 2 benefit. The additional benefit payable to children shall be the same as those available for members who die in the line of duty. In lieu of receiving option 2 benefit, the surviving spouse may receive a refund of the member's accumulated contributions. All benefits payable to surviving children shall be extended through age twenty-two, if the child is a full time student in good standing enrolled at a board approved or accredited school, college, or university.

Contribution Refunds:

Upon withdrawal from service, members not entitled to a retirement allowance who have remained out of service for a period of thirty days are paid a refund of accumulated contributions upon request. Receipt of such a refund cancels all accrued benefits in the system.

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STATE OF LOUISIANA
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JUNE 30, 2006 AND 2005

2. PLAN DESCRIPTION: (Continued)

Back Deferred Retirement Option Plan (Back-DROP)

In lieu of receiving a service retirement allowance, any member of the Fund who has more than sufficient service for a regular service retirement may elect to receive a "Back-DROP" benefit. The Back-DROP benefit is based upon the Back-DROP period selected and the final average compensation prior to the period selected. The Back-DROP period is the lesser of three years or the service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. At retirement the member's maximum monthly retirement benefit is based upon his service, final average compensation and plan provisions in effect on the last day of creditable service immediately prior to the commencement of the Back-DROP period. In addition to the monthly benefit at retirement, the member receives a lump-sum payment equal to the maximum monthly benefit as calculated above multiplied by the number of months in the Back-DROP period. In addition, the member's Back-DROP account will be credited with employee contributions received by the retirement fund during the Back-DROP period. As of January 1, 2005, the board of trustees provided for the transfer of DROP and Back-DROP balances to a third party, fixed income investment manager, see Note 8. Participants have the option to opt out of this program and take a distribution, if eligible, or to rollover the assets to another qualified plan.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members were established by statute for the fiscal years ending June 30, 2006 and 2005 at 10% of earnable compensation and are deducted from the member's salary and remitted monthly by the participating parish.

Gross employer contributions are determined by actuarial valuation and are subject to change each year in accordance with R.S. 11:103. For fiscal 2006 and 2005, the employers contributed 10.75% and 9.75% of members' salaries, respectively. Also, the fund annually receives revenue sharing funds, .5% of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish, and additional funds as indicated by valuation and apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premium taxes described in RS 22:1419.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

Use of the term "reserve" by the Fund indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2006 is \$286,564,258. The Annuity Savings is fully funded.

B) Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Reserve as of June 30, 2006 is \$599,497,605. The Pension Accumulation Reserve is 85% funded.

C) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2006 is \$483,753,111. The Annuity Reserve is fully funded.

D) Deferred Retirement Option Account:

The Deferred Retirement Option account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. Members entering after June 30, 2002 are entitled to receive a "Back-DROP" benefit. Members participate in the program for up to three years, and upon termination receive benefits in a lump sum payment or annuity. The deferred retirement option account as of June 30, 2006 is \$8,318,731. The Deferred Retirement Option account is fully funded.

SHERIFFS' PENSION AND RELIEF FUND
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4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method was used to calculate the funding requirements of the Fund. Funding of pension plans under this method consists of two components. The first of these components is the Employer Normal Cost of the plan. In addition, amortization payments on the Fund's unfunded liability must be made. The actuarial present value of future normal cost is called the actuarial accrued liability. The provisions of Louisiana R.S. 11:103 require that the unfunded accrued liability be amortized over a forty-year period beginning on July 1, 1989 with payments increasing at 3.5% per year.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

In accordance with GASB 25, information in the Required Supplementary Schedules is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 28-31.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Fund's deposits, cash equivalents and investments at June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Deposits (bank balance)	\$ 6,239,075	\$ 5,847,053
Cash equivalents	49,070,627	66,525,325
Investments	<u>1,342,945,104</u>	<u>1,177,475,456</u>
	<u>\$ 1,398,254,806</u>	<u>\$ 1,249,847,834</u>

Deposits:

The Fund's bank deposits were fully insured or collateralized with securities held by the entity or its agent in the entity's name.

Cash Equivalents:

For the years ending June 30, 2006 and 2005, cash equivalents in the amount of \$41,802,398 and \$60,485,347, respectively, consisted of government backed pooled funds. These funds are held by a sub-custodian, are managed by separate money managers and are in the name of the Fund's custodian's trust department. For the years ended June 30, 2006 and 2005, cash equivalents also included amounts invested in the Louisiana Asset Management Pool, see Note 8, totaling \$7,268,229 and \$6,039,978, respectively.

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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments:

Statutes authorize the Fund to invest under the Prudent-Man Rule. Pursuant to Louisiana Revised Statute 11:263, the Prudent-Man rule requires each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the Fund shall not invest more than fifty-five percent of the total portfolio in common stock and not more than 10% in index funds.

Concentration of Credit Risk:

The Fund's investment policy states that short-term investments may not exceed 5% of each manager's assigned portfolio allocation without Board approval and maximum single stock ownership in the common stock of any one organization shall not exceed 7% of each manager's portfolio. In addition, total exposure of all types of mortgages, as a percentage of each advisor's total fixed income portfolio, at market value, shall not be more than 10% greater than the mortgage sector's current percent of the Lehman Brothers Aggregate index. Collateralized mortgage obligations and adjustable rate mortgages shall not exceed 15%, at market value, of each investment advisor's total fixed income portfolio. There were no investments in any organization which represented 5% of total investments at June 30, 2006 and 2005.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the Fund's investments in long-term debt securities as of June 30, 2006 (Enron corporate bonds totaling \$30,000, mortgage backed securities totaling \$1,223,306 and U.S. Fixed Income Funds totaling \$4,532,089 are not rated).

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
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JUNE 30, 2006 AND 2005

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

Average Quality Rating	2006									Total
	Corporate Bonds	Mortgage- Backed Securities	Collateralized Mortgage Obligations	U.S. Private Placement	Government	U.S. Government Mortgages	U.S. Taxable Municipal	U.S. Fixed Income Funds	Other	
AAA	\$ 4,232,161	\$16,188,756	\$40,071,377	\$ 2,335,262	\$84,972,440	\$98,424,196	\$469,146	\$ 3,236,828	\$ 977,550	\$249,907,706
A1	2,347,841	103,147	-	-	-	-	-	-	397,710	2,848,698
A2	4,981,003	309,824	-	4,098,520	-	-	-	-	-	9,389,347
A3	11,732,110	-	-	1,365,199	-	-	-	-	-	13,097,309
AA1	233,217	1,051,670	-	833,724	-	-	169,801	-	-	2,288,412
AA2	158,167	-	-	809,704	-	-	-	-	-	967,871
AA3	5,231,169	128,340	-	314,959	-	-	-	-	-	5,674,468
BA1	2,950,918	-	-	132,721	-	-	-	-	-	3,083,639
BA2	2,385,525	-	-	-	-	-	-	-	-	2,385,525
BA3	4,411,083	-	-	-	-	-	-	-	-	4,411,083
BAA1	13,901,731	-	-	1,212,862	-	-	-	-	-	15,114,593
BAA2	22,492,861	-	-	2,494,312	-	-	-	-	257,938	25,245,111
BAA3	9,625,986	-	-	1,439,418	-	-	-	-	-	11,065,402
Not Rated	30,000	1,223,306	-	-	-	-	-	4,532,089	-	5,785,395
	<u>\$84,713,772</u>	<u>\$18,005,043</u>	<u>\$40,071,377</u>	<u>\$15,038,669</u>	<u>\$84,972,440</u>	<u>\$98,424,196</u>	<u>\$638,947</u>	<u>\$7,768,917</u>	<u>\$1,633,198</u>	<u>\$361,264,559</u>

Following are the credit ratings of the Fund's investments in long-term debt securities as of June 30, 2005. (Enron corporate bonds totaling \$30,000 and U.S. Fixed Income Funds totaling \$4,569,788 are not rated.)

Average Quality Rating	2005									Total
	Corporate Bonds	Mortgage- Backed Securities	Collateralized Mortgage Obligations	U.S. Private Placement	Government	U.S. Government Mortgages	U.S. Taxable Municipal	U.S. Fixed Income Funds	Other	
AAA	\$ 6,565,103	\$3,070,589	\$25,990,960	\$ 2,346,262	\$71,998,012	\$95,687,233	\$525,603	\$ -	\$8,714,570	\$214,898,432
A1	9,115,225	105,329	-	-	-	-	-	-	-	9,220,554
A2	16,551,892	275,885	-	3,560,972	-	-	-	-	-	20,388,749
A3	16,258,955	-	-	299,332	-	-	-	-	415,532	15,973,819
AA1	-	-	-	872,806	193,309	-	198,084	-	-	1,264,209
AA2	3,063,890	-	-	712,832	-	-	-	-	-	3,776,722
AA3	10,654,846	-	-	314,852	341,599	-	-	-	281,235	11,582,532
BA1	321,680	-	-	-	-	-	-	-	-	321,680
BAA1	19,272,727	-	-	1,429,525	-	-	-	-	654,311	21,356,563
BAA2	20,363,768	-	-	3,293,699	-	-	-	-	265,116	23,922,583
BAA3	14,538,262	-	-	202,582	-	-	-	-	-	14,740,854
Not Rated	30,000	-	-	-	-	-	-	4,569,788	-	4,569,788
	<u>\$115,736,328</u>	<u>\$3,451,803</u>	<u>\$25,990,960</u>	<u>\$13,032,872</u>	<u>\$72,532,920</u>	<u>\$95,687,233</u>	<u>\$723,687</u>	<u>\$4,569,788</u>	<u>\$10,330,884</u>	<u>\$362,056,465</u>

Bond portfolios must have a minimum average quality rating of A. Securities must be rated Baa3/BBB- by at least two of the major rating agencies at the time of the purchase. The major rating agencies are Moody's Investor Services, Standard & Poor's or Fitch Investor Services. Any security that falls below Baa3/BBB- rating by any of the major rating agencies must be sold within 90 days of the downgrade announcement. The investment manager must contact the consultant and/or investment committee for approval should they wish to hold the security beyond 90 days.

All security types include in the benchmark (Lehman Aggregate Bond Index) are candidates for purchase and placement in the bond portfolio. This includes U.S. dollar denominated bonds registered in the U.S. by foreign governments as well as corporate bonds issued by foreign companies. Total exposure to U.S. dollar denominated foreign-issued bonds shall not exceed 5% at market value of each investment advisor's total fixed income portfolio.

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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

Private placement securities issued under SEC Rule 144A may be held, but shall not exceed 10% at market value of each investment advisor's total fixed income portfolio.

Derivatives are limited to the use of U.S. Treasury bond futures, primarily for the purpose of adjusting fixed income duration. The use of futures shall not cause asset class policy ranges to be exceeded, or cause the total fund to be leveraged. The net notional principal amounts outstanding of all derivative investments, expressed in terms of the value of the underlying position, shall not exceed 15% of the market value of the Fund. All derivatives positions must be incorporated into the overall portfolio market values and risk measures.

Foreign government, sovereign, sovereign-guaranteed, supranational and corporate obligations, including emerging market debt exposure to Non-Dollar Securities shall not exceed 10% at market value of each investment advisor's total fixed income portfolio.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Fund is not exposed to custodial credit risk at June 30, 2006 for investments in the amount of \$1,302,765,718 since the investments are in the name of the Fund. At June 30, 2006, for collateral held under securities lending in the amount of \$89,250,013 and non cash collateral received under the securities lending program in the amount of \$5,199,260, the Fund is exposed to custodial credit risk since these investments are not in the name of the Fund. The Fund has no formal investment policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2006, the Fund had the following investments in long-term debt securities and maturities:

SHERIFFS' PENSION AND RELIEF FUND
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

<u>Investment Type</u>	2006				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Other Bonds:					
Collateralized mortgage-backed securities	\$ 9,338,987	\$ --	\$ --	\$ --	\$ 9,338,987
Collateralized mortgage obligations – government	17,231,118	--	--	--	17,231,118
Collateralized mortgage obligations – corporate	21,888,629	--	--	--	21,888,629
Corporate and other credit	84,713,772	30,000	--	49,029,033	35,654,739
U.S. fixed income funds	4,532,089	4,532,089	--	--	--
U.S. government mortgages	183,396,636	--	21,352,200	42,512,664	119,531,772
U.S. private placement	15,036,669	--	--	957,977	14,078,692
U.S. taxable municipal bonds	638,947	--	--	--	638,947
Other	14,487,712	--	1,840,830	3,874,948	8,771,934
	<u>\$351,264,559</u>	<u>\$ 4,562,089</u>	<u>\$23,193,030</u>	<u>\$96,374,622</u>	<u>\$227,134,818</u>
Collateral held under Securities Lending Program	<u>\$ 89,250,013</u>	<u>\$ 89,250,013</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

As of June 30, 2005, the fund had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	2005				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Agency Obligations	\$ 72,532,920	\$ --	\$ --	\$ 53,331,725	\$ 19,201,195
Other Bonds:					
Collateralized mortgage-backed securities	3,451,803	--	--	--	3,451,803
Collateralized mortgage obligations – government	10,823,312	--	--	--	10,823,312
Collateralized mortgage obligations – corporate	15,167,648	--	--	--	15,167,648
Corporate and other credit	115,736,328	--	--	115,736,328	--
U.S. fixed income funds	4,569,788	4,569,788	--	--	--
U.S. government mortgages	95,687,233	--	--	--	95,687,233
U.S. private placement	13,032,872	--	--	--	13,032,872
U.S. taxable municipal bonds	723,697	--	--	--	723,697
Other	10,330,864	--	--	1,474,691	8,856,173
	<u>\$342,056,465</u>	<u>\$ 4,569,788</u>	<u>\$ --</u>	<u>\$170,542,744</u>	<u>\$166,943,933</u>
Collateral held under Securities Lending Program	<u>\$ 73,194,388</u>	<u>\$ 73,194,388</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

The Fund invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The Fund has no formal investment policy regarding interest rate risk.

7. SECURITY LENDING AGREEMENT:

State statutes and board of trustee policies authorize the Fund to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the Fund is allowed to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund enters into a contract with a company, which acts as their third-party securities lending agent. The lending agent has access to the Fund's lendable portfolio or available assets. The agent lends the available assets such as U.S. Treasury, government-guaranteed and corporate fixed income securities, and equities. The lending agent has discretion over the selection of borrowers and continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them; however, the Fund may restrict borrowers. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit. Initial collateralization of loans will be 102% of the market value of the loaned securities plus accrued income for U.S. and 105% in all cases and at all times of non-U.S. loans, respectively. When collateral for U.S. issuers is less than 100% of market value of the loaned securities, additional collateral is required to bring the collateralization back to 102%. As a result of the required collateralization percentages, the Fund has no credit risk. The lending agent and the Fund enter into contracts with all approved borrowers. In the case of security loans in which the collateral received by the Fund is cash, the collateral is reported as an asset with a corresponding liability. When the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the Statement of Plan Net Assets and in footnote number 6. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the Fund) in approved investments outlined in the contract between the agent and the Fund such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including tri-party. Acceptable collateral from approved borrowers for repurchase agreements (including tri-party) is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

7. SECURITY LENDING AGREEMENT: (Continued)

The fund has the following securities on loan:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
	Market	Market
	(Carrying Value)	(Carrying Value)
U. S. Government Securities	\$ 59,382,407	\$ 37,057,047
U. S. Government Agency Securities	3,267,507	18,581,712
Corporate Bonds	7,219,325	11,380,031
Marketable Securities	<u>22,632,069</u>	<u>9,030,425</u>
	<u>\$ 92,501,308</u>	<u>\$ 76,049,215</u>

The contracts with the lending agent requires the lending agent to indemnify the Fund from any and all claims, actions, demands or lawsuits of any kind whatsoever resulting from the lending agent's gross negligence or willful misconduct in its administration of the program and to replace loaned securities not returned to the Fund for any reason.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements with maturities of one to two days.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net amount of income received from the transactions is recorded in the financial statements in investment income.

8. LOUISIANA ASSET MANAGEMENT POOL:

Investments held at June 30, 2006 and 2005 consist of \$7,268,229 and \$6,039,978, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
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JUNE 30, 2006 AND 2005

8. LOUISIANA ASSET MANAGEMENT POOL: (Continued)

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investments Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regularity oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

9. EMPLOYEES DEFERRED COMPENSATION PLAN:

The Sheriffs' Pension and Relief Fund offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. Effective in the prior year, the Board of Trustees authorized matching contributions to be made to the plan by the Fund on behalf of the employees. The current and prior years contributions totaled \$29,860 and \$25,811, respectively.

All assets and income are held in a custodial trust account for the exclusive benefit of the participants and their beneficiaries.

10. ANNUAL AND SICK LEAVE:

Employees' leave is accrued at rates of 12 to 24 days per year depending upon length of service. Upon separation employees are compensated for accumulated annual leave, up to a maximum of 60 days. Employees are not compensated for accumulated sick leave upon termination.

The liability for annual leave accrued at June 30, 2006 and 2005 is \$87,884 and \$81,130, respectively.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
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JUNE 30, 2006 AND 2005

11. OPERATING BUDGET:

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

12. USE OF ESTIMATES:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. CHANGES IN PROPERTY, PLANT AND EQUIPMENT:

A summary of changes in fixed assets follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reclass</u>	<u>Balance</u> <u>June 30, 2006</u>
Land and building	\$ 2,674,824	\$ --	\$ --	\$ 2,674,824
Vehicles	31,991	--	--	31,991
Office furniture and equipment	<u>634,168</u>	<u>108,310</u>	<u>(5,616)</u>	<u>736,862</u>
Total	<u>\$ 3,340,983</u>	<u>\$ 108,310</u>	<u>\$ (5,616)</u>	<u>\$ 3,443,677</u>

Depreciation expense for the years ended June 30, 2006 and 2005 totaled \$96,549 and \$69,343, respectively.

14. OTHER RECEIVABLES AND PREPAIDS:

A summary of this account follows:

<u>Description</u>	<u>2006</u>	<u>2005</u>
Pensions	\$ 87,333	\$ 107,900
Taxes	<u>390,618</u>	<u>12,224</u>
Total	477,951	120,124
Less: Provision for uncollectibility	<u>25,123</u>	<u>--</u>
Total	<u>\$ 452,828</u>	<u>\$ 120,124</u>

Pensions receivable represents amounts that have been determined to have been paid for benefits that were not due to the recipient. Amounts due are generally established through legal judgments. Taxes receivable represent ad valorem and revenue sharing taxes due from parishes. During the current year, a provision for uncollectibility has been provided for the pensions totaling \$25,123.

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STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

June 30, 2006

	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION RESERVE	DEFERRED RETIREMENT OPTION PLAN (DROP)	UNFUNDED ACTUARIAL LIABILITY
BALANCES - BEGINNING OF YEAR	\$ 436,831,094	\$ 271,493,741	\$ 464,754,692	\$ 7,015,662	\$ (35,343,261)
REVENUES AND TRANSFERS:					
Contributions	-	44,505,946	70,798,768	-	-
Net income from investments	-	-	98,640,643	280,795	-
Processing fees	-	-	225	-	-
Annuities derived from accumulated savings	12,736,115	-	-	-	-
Contributions for purchased or transferred services	-	905,126	2,462,495	-	-
DROP members - selecting annuities	291,064	-	-	-	-
DROP members - decision pending	-	-	-	1,328,737	-
DROP pensions accumulated from Annuity Reserve	-	-	-	5,372,947	-
Actuarial transfer	89,184,696	-	-	-	-
Total revenues and transfers	102,211,875	45,411,072	171,902,131	6,982,479	-
EXPENSES AND TRANSFERS:					
Retirement allowances paid during the period	48,588,174	-	-	-	-
Transfer to Annuity Reserve	-	12,736,115	-	-	-
Refunds to members	-	17,604,440	-	-	-
Administrative expenses and depreciation	-	-	1,468,578	-	-
DROP members - selecting annuities	-	-	-	291,064	-
DROP members - decision pending	1,328,737	-	-	-	-
Funds transferred to another system	-	-	1,196,213	-	-
Pensions paid into DROP	5,372,947	-	-	-	-
Pensions paid out of DROP	-	-	-	5,388,346	-
Actuarial transfer	-	-	34,494,427	-	54,690,269
Total expenses and transfers	55,289,858	30,340,555	37,159,218	5,679,410	54,690,269
Net increase (decrease)	46,922,017	15,070,517	134,742,913	1,303,069	(\$4,690,269)
BALANCES - END OF YEAR	\$ 483,753,111	\$ 286,564,258	\$ 599,497,605	\$ 8,318,731	\$ (90,033,530)

June 30, 2005

<u>TOTAL</u>	<u>ANNUITY RESERVE</u>	<u>ANNUITY SAVINGS</u>	<u>PENSION ACCUMULATION RESERVE</u>	<u>DEFERRED RETIREMENT OPTION PLAN (DROP)</u>	<u>UNFUNDED ACTUARIAL LIABILITY</u>	<u>TOTAL</u>
\$ 1,144,751,928	\$ 366,883,015	\$ 250,710,673	\$ 447,868,350	\$ 9,645,758	\$ (57,385,504)	\$ 1,017,722,292
115,304,714	-	43,199,177	64,157,845	-	-	107,357,022
98,921,438	-	-	83,810,696	-	-	83,810,696
225	-	-	246	-	-	246
12,736,115	11,528,508	-	-	-	-	11,528,508
3,367,621	-	1,922,272	2,455,047	-	-	4,377,319
291,064	1,049,967	-	-	-	-	1,049,967
1,328,737	-	-	-	-	-	-
5,372,947	-	-	-	8,298,497	-	8,298,497
89,184,696	109,195,306	-	-	-	22,042,243	131,237,549
326,507,557	121,773,781	45,121,449	150,423,834	8,298,497	22,042,243	347,659,804
48,588,174	43,527,205	-	-	-	-	43,527,205
12,736,115	-	11,528,508	-	-	-	11,528,508
17,604,440	-	12,809,873	-	-	-	12,809,873
1,468,578	-	-	1,446,722	-	-	1,446,722
291,064	-	-	-	1,049,967	-	1,049,967
1,328,737	-	-	-	-	-	-
1,196,213	-	-	853,221	-	-	853,221
5,372,947	8,298,497	-	-	-	-	8,298,497
5,388,346	-	-	-	9,878,626	-	9,878,626
89,184,696	-	-	131,237,549	-	-	131,237,549
183,159,310	51,825,702	24,338,381	133,537,492	10,928,593	-	220,630,168
143,348,247	69,948,079	20,783,068	16,886,342	(2,630,096)	22,042,243	127,029,636
\$ 1,288,100,175	\$ 436,831,094	\$ 271,493,741	\$ 464,754,692	\$ 7,015,662	\$ (35,343,261)	\$ 1,144,751,928

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

INVESTMENTS:	JUNE 30, 2006			JUNE 30, 2005		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
Cash equivalents		\$ 49,070,627	\$ 49,070,627		\$ 66,525,325	\$ 66,525,325
Bonds:						
Corporate and aid bonds	\$ 160,084,335	158,586,589	150,624,193	\$ 151,387,084	161,005,372	161,223,562
U.S. Government securities and mortgage-backed securities	217,196,369	204,258,387	200,640,366	184,859,272	179,598,591	180,832,903
Total bonds	\$ 377,280,704	362,844,976	351,264,559	\$ 336,246,356	340,603,963	342,056,465
Stocks:						
Corporate stock - common		600,858,938	707,003,481		586,981,192	653,445,161
International equities		135,707,528	160,929,743		81,865,481	82,695,244
Diversified alternatives		30,992,633	34,497,308		24,994,383	26,084,198
Total stocks		767,559,099	902,430,532		693,841,056	762,224,603
TOTAL INVESTMENTS		\$ 1,179,474,702	\$ 1,302,765,718		\$ 1,100,970,344	\$ 1,170,806,393

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Salaries and related cost	\$ 647,237	\$ 616,612
Office supplies and expense	72,355	101,699
Professional retainers and legal fees	275,022	344,904
Travel - Board & Committee meeting expenses	17,174	23,404
Travel - Trustee educational and LSA conferences	74,242	44,978
Telephone and telegraph	14,260	16,007
Payroll taxes	15,162	9,861
Group medical and bond insurance	108,787	104,939
Microfilming	-	2,156
Professional development	8,596	1,193
Leases - office equipment	12,457	10,581
Equipment rental	2,320	2,226
Equipment maintenance	22,825	20,830
Janitorial, garage, yard	21,274	16,228
Moving expenses	1,585	-
Security	3,447	4,442
Utilities:		
Current year expense	59,802	52,427
Payments - prior years	15,484	-
Temporary services	<u>-</u>	<u>4,892</u>
Total administrative expenses	\$ <u>1,372,029</u>	\$ <u>1,377,379</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
PER DIEM AND TRAVEL EXPENSES PAID TO BOARD OF TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>			<u>2005</u>		
	<u>Travel</u>			<u>Travel</u>		
	<u>Per Diem</u>	<u>Reimbursement</u>	<u>Total</u>	<u>Per Diem</u>	<u>Reimbursement</u>	<u>Total</u>
Wayne F. McElveen	\$ 1,425	\$ 1,455	\$ 2,880	\$ 1,350	\$ 936	\$ 2,286
Ray Gillard	1,350	1,614	2,964	1,425	1,411	2,836
J.R. Oakes	675	1,597	2,272	375	868	1,243
Graham Hendericks	1,500	1,895	3,395	825	730	1,555
Don Rittenberry	-	-	-	-	35	35
Larry Deen	-	-	-	-	50	50
Charles Foti	-	-	-	450	1,051	1,501
Calvin K. McFerrin	-	-	-	-	476	476
Laura Endsley	<u>1,200</u>	<u>2,320</u>	<u>3,520</u>	<u>1,350</u>	<u>1,976</u>	<u>3,326</u>
Totals	<u>\$ 6,150</u>	<u>\$ 8,881</u>	<u>\$ 15,031</u>	<u>\$ 5,775</u>	<u>\$ 7,533</u>	<u>\$ 13,308</u>

SHERIFFS' PENSION AND RELIEF FUND
 STATE OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2001 THROUGH 2006

<u>Fiscal Year</u>	<u>Actuarial Required Contributions Employer</u>	<u>Actuarial Required Contributions Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
2001	\$ 19,956,857	\$ 11,118,674	100.04 %	102.25 %
2002	24,762,901	19,884,152	101.17	89.24
2003	34,564,351	17,859,034	85.86	99.42
2004	37,690,472	19,741,798	100.93	99.89
2005	44,112,031	21,670,033	95.90	100.85
2006	48,902,744	22,228,685	97.73	103.50

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2001 THROUGH 2006

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2001	\$ 831,080,974	\$ 920,761,605	\$ 89,680,631	90.26 %	\$ 337,229,788	26.59 %
June 30, 2002	868,729,107	959,788,254	91,059,147	90.51	360,267,884	25.28
June 30, 2003	907,401,749	999,746,836	92,345,087	90.76	383,388,474	24.09
June 30, 2004	981,583,851	1,075,107,796	93,523,945	91.30	406,020,215	23.03
June 30, 2005	1,085,515,384	1,180,095,189	94,579,805	91.99	432,019,757	21.89
June 30, 2006	1,282,638,484	1,378,133,705	95,495,221	93.07	436,370,158	21.88

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2001 THROUGH 2006

The information presented in the Schedule of Contributions - Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2006
Actuarial Cost Method	Frozen Attained Age Normal Actuarial Cost Method
Amortization Method	In accordance with state statute, the payment amounts increase at 3.5% each year for the remaining amortization period. The amortization period is for a specific number of years. (Closed Basis)
Remaining Amortization Period	23 years
Actuarial Asset Values:	
Bonds and Equities	Market value adjusted to reflect a four-year smoothing of realized and unrealized capital gains.
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	6% (3.25% Inflation, 2.75 Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Change in Actuarial Assumptions:	The percentage of eligible persons who terminate employment and elect deferred retired benefits in lieu of a refund of contributions was changed from 90% at all ages to 60% for all ages up to 49 and 80% thereafter, based on recent plan experience. Disabled lives mortality was changed from 175% of the 1971 Group Annuity Mortality Table to the RP-2000 Disabled Lives Mortality Table. The effect of the change in assumptions was to decrease the normal cost rate by 0.5074% and the normal cost by \$2,093,884. The actuarial asset valuation method was changed from three-year smoothing of realized and unrealized capital gains to four-year smoothing of all earnings above and below the valuation interest rate. The effect of the change was to increase the actuarial value of assets by \$69,250,121 which reduced the normal cost accrual rate by 1.729% and the normal cost by \$7,135,051.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2001 THROUGH 2006

Change in Plan Provisions:

Legislative changes require compliance with requirement of the Internal Revenue Code with respect to benefit limits, maximum benefits and benefit adjustments based on age and years of service.

Legislative changes provide that any employee of a state or statewide retirement system who has not retired whose participation in the Deferred Retirement Option Plan of that system was interrupted or ceased upon their being terminated due to a reduction-in-force necessitated by Hurricane Katrina or Hurricane Rita or both, will have the time period applicable to their plan participation adjusted upon their reemployment and resumption of membership in the retirement system to which they belonged before being terminated. However, in no case will this statute apply to anyone who becomes reemployed more than one year after being furloughed or terminated, whichever occurs first, or to anyone reemployed on or after December 31, 2006.

Legislative changes state that the normal retirement benefit for an individual who becomes a member of the system on or after July 1, 2006, will be equal to three and one-third percent of the member's average monthly salary for the sixty highest successive months of employment, or the highest sixty successive joined months of employment where interruption of service occurred, multiplied by the number of years of creditable service in the fund.

The Legislature amended the language regarding the former three percent cost of living increase (COLA) to read not less than two percent or more than three percent of the normal monthly benefit and decreases the floor limit of the COLA from fifty dollars to twenty dollars.

Legislative changes provided that in the event that a COLA is not payable based on the valuation for the year ending June 30, 2006, the board may, in its discretion, authorize a nonrecurring lump-sum benefit supplement in an amount not to exceed three percent of the normal annual benefit, and not less than three hundred dollars.

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REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

October 20, 2006

Board of Trustees
Sheriffs' Pension and Relief Fund
State of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Sheriffs' Pension and Relief Fund, State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriffs' Pension and Relief Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriffs' Pension and Relief Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the use of the Board of Trustees, Office of the Legislative Auditor of the State of Louisiana, and management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

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